DOCUMENT RESUME

ED 311 527 EA 021 167

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TITLE One World: The Union of a New Capitalism and a New Socialism.
PUB DATE 89
NOTE 17p.; In: The Future: Opportunity Not Destiny. Bethesda, Maryland, World Future Society, 1989. p36-51.
AVAILABLE FROM Publications, World Future Society, 4916 Saint Elmo Avenue, Bethesda, MD 20814 ($16.95).
PUB TYPE Viewpoints (120)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Capitalism; Communism; Culture; *Economics; Elementary Secondary Education; Futures (of Society; *Global Approach; Governmental Structure; *Political Influences; Politics; *Socialism
IDENTIFIERS *Free Enterprise System

ABSTRACT

After decades of bitter conflict between capitalism and socialism, the current technological revolution is driving these two major systems of political economy toward a unified but diverse global order. International trade is growing at twice the rate of domestic trade, competition across national borders is intense, and telecommunication networks encircle the globe. Knowledge is beginning to be harnessed by the computer, accelerating the historical tendency of nations to move toward democratic governance. A more sophisticated political economy is developing, where democracy and enterprise have extended into new economic areas and are uniting to form an unusual synthesis of cooperation and competition. Differences in capitalism and socialism result largely from cultural preferences rather than the superiority of either system. Many nations are committed to socialism because of the flaws they see in capitalism, and, conversely, capitalism is attractive to many others due to the problems in socialism. The key solution focuses on redefining enterprise to incorporate social controls at its grassroots. The resulting economy would serve the public welfare while simultaneously permitting entrepreneurial freedom. Because this concept unifies both ends of the political spectrum, it could prove to be a powerful combination of both economic and social values. (11 references) (KM)

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ONE WORLD: THE UNION OF A NEW CAPITALISM AND A NEW SOCIALISM

by

William E. Halal

After decades of bitter conflict between capitalism and socialism have polarized the Earth into warring camps, today a technological revolution is driving these two major systems of political economy toward a unified but diverse global order—One World that works.

It has become increasingly clear in recent years that nations are rapidly coalescing into some sort of global system. International trade is growing at twice the rate of domestic trade, competition across national borders is now intense, and telecommunication networks encircle the Earth. This newly emerging reality was dramatically illustrated when the 1987 crash on Wall Street reverberated almost instantaneously throughout the financial centers of the entire world, and in 1988 the leader of the Soviet Union, Mikhail Gorbachev, told the UN that the world is becoming a "single global organism."

However, there remains deep confusion over how the old conflict between capitalism and socialism will be resolved. Many scholars claim the two systems have been moving toward a "convergence" for years,[1] and this trend became more striking recently when China and the USSR began adopting market mechanisms. Although many believe this means socialism has failed and that the socialist bloc will soon be practicing capitalism, socialist states are unlikely to adopt the West's version of free markets because it clashes with their cultures. It is hard to believe, for instance, that the Soviets will permit their carefully planned state enterprises to be dismembered by the type of brutal corporate takeovers now flourishing in the US. A Chinese official noted: "Capitalism doesn't have a patent right over markets. We're trying to establish an unprecedented form of market economy based on public ownership."

And in the USA, that bastion of capitalism, employee directors have gained seats on the boards of about a dozen major corporations in recent years, which indicates a trend toward more democratic labor relations, or what some would call "socialism." At the same time, however, America's faith in the efficacy of unfettered free enterprise has been rejuvenated under Reaganomics to deregulate industries, curtail government programs, and encourage neo-

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robber barons like today's corporate raiders. This is hardly socialism.

Thus, there seems to be convergence in some areas and divergence in others. In a major study that summarized the evidence on nine dimensions of economic structure for 28 nations, Clark Kerr found that six dimensions show "substantial convergence," while three dimensions indicate "little or no convergence."[2] Many provocative questions are raised by such conflicting trends. What underlying forces can explain why capitalism and socialism seem to be following similar yet distinctively different paths of development? How will nations from incompatible systems coexist in a unified world, if at all? Is it possible to predict the outlines of the coming global order?

This paper presents a conceptual framework based on the complementary principles of convergence and divergence to help answer such questions. A few prominent examples will then be used to establish key trends and to forecast where these changes should lead. My main conclusion is that keen differences will always persist among nations, but that a "New Capitalism" and a "New Socialism" are evolving that may in time embody roughly similar blends of democracy and free enterprise. In a decade or two, this resolution of the old conflict between the two dominant forms of political economy should then lead to a unified global community.

A Framework of Political Economy

A conceptual framework is outlined in Figure 1 consisting of two dimensions that distinguish different types of political economy.[3] The horizontal dimension of "structure" defines the degree to which the system is organized as a single monolithic hierarchy—"centralized planning"—versus a dispersed network of independent business units—"free enterprise." The vertical "process" dimension describes whether decision-making is conducted in an "autocratic" or "democratic" manner.

Four ideal systems, or archetypes, can be located at each corner of Figure 1 to illustrate the scales in meaningful terms. "Laissez-Faire Capitalism"—which I will sometimes abbreviate as "capitalism"—appears at the lower-right corner since it stresses free markets. "Democratic Socialism"—or simply "socialism"—is at the opposite corner since it shifts the focus to government control of the economy. The lower-left corner could be called "Dictatorial Socialism," as practiced in the USSR under Stalin. At the upper-right corner, the combination of both democracy and free enterprise forms another, but as yet unrealized, ideal type—"Democratic Free Enterprise"—which is discussed more fully later.

The positions shown for individual nations are my own rough estimates and are provided mainly to illustrate the framework. Most nations are scattered somewhere about the middle of Figure

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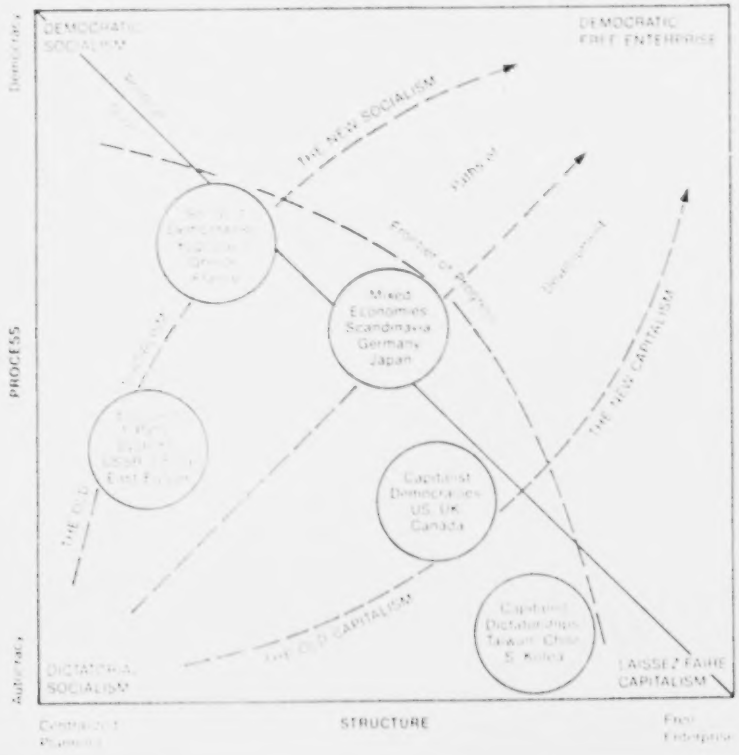
1, as shown. Various "capitalist" nations tend to be located toward the Laissez-Faire Capitalism corner, "socialist" nations gravitate toward the opposite corner, and "mixed economies" are found in the center moving toward the Democratic Free Enterprise model. The following examples of the two superpowers will help clarify these estimates.

The USA is positioned nearer the Laissez-Faire Capitalism model since its system of political economy is strong on free enterprise but weak on democracy. The *political* system of the USA may exemplify democratic ideals, but this is not generally true of the *economic* system. Apart from the legal rights of shareholders, most industries are not directly controlled to a significant degree by labor, consumers, local government, or other interest groups. The only exception is bargaining with labor, but union membership only

Figure 1
DISTRIBUTION OF VARIOUS ECONOMIC SYSTEMS ALONG DIMENSIONS OF STRUCTURE AND PROCESS



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covers a fifth or so of the economy and may be in further decline. As a result, the interests of these groups are not generally considered in decisions unless regulated by the federal government. The USSR, in contrast, is located near the Dictatorial Socialism corner for obvious reasons.

This framework allows us to define two principles describing how systems of political economy are evolving into a unified but diverse global order. The first describes how the approaching information age seems to be encouraging a strong tendency toward *convergence*, and the second notes that cultural differences simultaneously exert an opposing tendency toward *divergence*.

Convergence: The Imperative of Information Technology

History suggests that nations generally tend to move toward democratic governance and free markets since these ideals are usually preferred to dictatorship and bureaucratic controls. This tendency is accelerating now because the onset of an information age is causing a crucial shift in the technological foundation of business and economics. The central fact of our time is that the computer is beginning to harness the power of information, just as the invention of the mass-production assembly line harnessed the power of machinery to begin an industrial age. But where the Industrial Revolution shifted the critical factor of production from labor to capital equipment, now the shift is from capital to *knowledge*.

A "knowledge-based economy" is a poorly understood recent phenomenon, but it seems to exert a fundamentally different imperative. The industrial era fostered conflict basically because physical resources are finite, forming a zero-sum game in which economic actors struggle over a limited supply of material wealth. Information *increases* when shared, however, thereby urging positive-sum games of collaborative problem-solving and creative enterprise. This explains why the rapid proliferation of information technology seems to be creating a more sophisticated type of political economy now, one in which democracy and enterprise are being extended into new economic areas and united into an unusual synthesis of cooperation and competition.

This is not simply theory since examples abound. A good example is the move toward collaborative labor-management relations during the 1980s. Forced to survive under growing competition, the auto, steel, and airline industries signed historic contracts in which unions gave up work restrictions and pay increases in return for profit-sharing and a say in management decisions from the shop to the boardroom. As a result of unyielding economic pressure, then, no-nonsense executives who abhor any whiff of lofty ideals are almost unwittingly moving toward the democratization of the workplace simply because it is *efficient*. Employee directors are now

seated on the boards of Chrysler, Pan Am, Kaiser Aluminum, and about a dozen other major companies, while the auto industry paid its workers a $400 million share of profit in 1986. *Business Week* noted: "Worker representation is spreading faster than anticipated . . . it has probably become a permanent part of industrial life."

Even competitors are collaborating. About 50 collaborative research consortia have been formed recently in the US alone, such as the Microelectronics and Computer Technology Corporation (MCC)—a joint venture of 20 competing firms to advance information technology for their mutual benefit. The advent of cooperative R&D has been called "the most significant step forward since the computer chip."

These trends are restricted to a small avant-garde of progressive companies, but they show that a "New Capitalism" involving an unusual blend of democracy and enterprise seems to be emerging—not because of devotion to ideals—but because the information age demands it. The advantage of combining these two principles is nicely illustrated by the "strategic alliances" that auto makers have formed with their counterparts abroad. While GM, Ford, and Chrysler compete more fiercely against Toyota, Fiat, and Renault—they are also cooperating with these same adversaries by jointly making and selling autos in each others markets.

The socialist bloc also seems to be moving in this direction. It is often thought that planned economies are inherently antagonistic to computerization because central controls block the free flow of information. But the freewheeling power of information technology seems to be running through socialist economies as well. Undaunted by government restrictions, an underground information network is proliferating in the Soviet bloc through the illicit use of video tapes, VCRs, photocopiers, journals, and PCs. In Hungary the new spirit of *glasnost* has permitted an information starved, critical citizenry to create socialist versions of the TV talk show that would make Phil Donahue blush. One show culls 20,000 letters to select 66 people who quiz a government official on the air until the audience is satisfied with his answers. And part of Gorbachev's policy of *perestroika* is to launch a major effort to upgrade computerization and communication capabilities throughout the Soviet Union. Loren Graham summed up the consequence in the *Washington Post*: [4]

> It is becoming increasingly clear that [information technology] is challenging basic principles of the Soviet state—control over information and secrecy about vital data . . . The question is not whether the Soviets will accept this technology—external competition will force them to.

The result has been an astonishing flood of experimentation throughout the socialist bloc. These various forms of "market socialism" typically permit small business ownership, incentive sys-

tems for workers, and greater freedom for state enterprises. The Soviet Union recently required managers of 48,000 plants controlling 60% of the economy to achieve "economic accountability" by planning their own operations and retaining profits; meanwhile the state bureaucracy has been slashed from 80 to 20 ministries. Hungary now permits the sale of company stock to finance private enterprises and free market pricing. In China, the private sector now employs more than 20 million workers, and state factories producing half of the nation's goods are being turned loose to operate as profit centers.

The move to democracy also seems inevitable. Hungary and Poland are now adopting multiparty political systems similar to the parliamentary governments of their neighbors in Western Europe, and the Soviet Union is reforming its one-party system to include contested elections among multiple candidates. Some socialist states, like Hungary, are also creating a democratic form of enterprise governed by councils composed of management, labor, and party officials. The crisis over the Solidarity Union in Poland indicates that the fierce determination behind this type of economic democracy is likely to persist until reforms are made. Gorbachev told his nation: "It is either democracy or social inertia. There is no third way, comrades."

Naturally, the question remains as to how socialist nations will accept the plant closings, unemployment, citizen unrest, and other disorders that are an inevitable consequence of these new freedoms. However, Franz Loeser, a former official in the Communist Party, thinks change is unavoidable:[5]

> The communist countries are losing the economic race with the West. People feel it and the party membership know it. What we are likely to witness is the painful dying out of an outmoded model of socialism and a fierce struggle for new, diversified and more democratic forms.

The fact that the unusual power of information may drive the socialist bloc to a "New Socialism" emphasizes the strength of this underlying dynamic that is now moving the world toward different economic principles. Information technology exerts a novel force, as revolutionary as industrial technology was two centuries ago, that seems to be uniting nations into some sort of global order based on both collaboration and competition. Thus, there appears to be a long-range tendency for nations to evolve in the general direction of the "Paths of Development" noted in Figure 1, thereby gradually converging toward the Democratic Free Enterprise model of political economy.

Divergence: The Imperative of Cultural Differences

Despite this tendency toward convergence, all nations have unique histories, political movements, subjective beliefs and other

cultural attributes which encourage different paths to fostering the national welfare, thereby also creating an opposing tendency toward *divergence*. This can be illustrated by taking a "Political Slice" through Figure 1, as indicated, to show the dispersion of economies across a political spectrum ranging from Social Democracy in the upper-left corner to Laissez-Faire Capitalism in the lower-right corner. Nations at the left of the political slice favor "social" values of security, public welfare, and equity, while those to the right favor "enterprise" values of freedom, growth, and innovation.

Table 1
COMPARISION BETWEEN CAPITALISM AND SOCIALISM

	Capitalism (USA)	Socialism (USSR)
Strengths	Economic Freedom Productivity & Growth Innovation	Economic Security Social Welfare Reasonable Equity
Weaknesses	Risk & Competition Social Costs Wide Inequalities	Loss of Freedom Poor Productivity Bureaucracy
Politicai System	Two-Party	One-Party
Economic Institutions	Profit-Driven Corporation	State-Controlled Bureaucracy
Stage of Development	Services (Tertiary)	Manufacturing (Secondary)

The drawbacks of socialism are dwelled on at great length in capitalist nations, but less is understood about the advantages Soviet citizens see in their system. True, their freedom to start a business, buy a home, and travel abroad is limited, but polls and knowledgeable observers indicate that the Soviets are proud of the way their system assures them of basic needs like education, employment, housing, health care, and pensions, which are often precarious in capitalist nations. Russians may envy America's sophisticated consumer goods, however, the USSR has achieved considerable economic progress from a feudal society composed largely of impoverished, illiterate peasants just a few decades ago. Soviet GNP per capita approximately quadrupled between 1950 and 1980, and growth rates generally matched those of the US. Socialist economies have been stagnating lately, but this is largely part of the economic crisis that struck all industrialized nations during the 80s, including the US.

The Soviet political system also has a different rationale. The USSR may be a "totalitarian" society in that the Communist Party controls most aspects of life in a paternalistic way, however, that does not mean it is a brutal form of repression without a legitimacy of its own. A one-party system is not a dictatorship of the type

found in nations like Chile under Pinochet since the party uses some processes of representative government and its members are drawn from throughout Soviet society. In other words, it is a form of government that channels the conflict of political opinion *within* the party to arrive at a consensus needed to establish legitimate rule. As a result, Soviet politics do make needed reforms. Khrushchev was ousted when he lost the confidence of the nation in 1964, and Gorbachev was elected in 1985 to provide the precise blend of affability and pragmatism needed to rejuvenate their nation. Instead of the conflict and change that multiple-party systems stress, a one-party system has other advantages that emphasize stable, central control, rather like capitalist corporations. These features are attractive to some Western nations, which is why Italy, Mexico, and other countries with multiple-party systems have been dominated by a single party for decades.

In short, life in the USSR may be less exciting and comfortable, but it is more secure and orderly. Many Soviets who have immigrated to the US say Americans have "too much freedom" while "the Russian is secure;" that the "anonymity and stress of competitive life" are "in many ways even worse than the USSR." Michael Kernan's studies of Russian emigres led him to conclude:[6]

> The price we [Americans] pay for our freedom from authority [is] that nobody is responsible for you . . . in the all embracing way the Soviet state takes care of its own . . . Emigres speak of the indifference, the coldness of people absorbed in getting ahead, the status based on money.

In contrast, capitalism provides other advantages. The productivity of free enterprise has produced a luxurious standard of living in the US, whereas in the Soviet Union only a privileged elite can afford the material comfort most Americans take for granted. These gains are mainly the result of a cultural heritage of economic freedom that has allowed the US to become widely admired as one of the most vital, creative nations in the world.

But the unavoidable price for this freedom is that serious social disorders are allowed to go unchecked. Bankruptcies, layoffs, recessions, and other forms of economic hardship abound in the US because of the sheer uncertainty, risk, and constant change produced by a competitive economy. A wide range of social costs are also endemic since the system focuses attention on economic rather than social values: poverty and homelessness, worker accidents, consumer fraud and injuries, pollution, and other public maladies that are often very severe. That explains why capitalism's vaunted superior productivity of material goods does not necessarily translate into better life styles. Studies consistently show that the USA may have the highest GNP per capita in the world, yet it ranks below many other nations in overall quality of life. A recent survey rated the US 27th out of 124 nations.[7]

One of the most troublesome drawbacks is the social inequality that capitalism produces. Inequalities persist under socialism, despite the claim of a "classless society," but they seem less severe. The average American earns an annual income of about $17,000 that only provides a marginal existence and about one fifth of the nation lives in poverty—while the economic system glorifies multimillion dollar incomes of paper entrepreneurs, rock musicians, TV announcers, athletes, and movie stars. The big winners in the capitalist sweepstakes earn so much beyond their most extravagant needs that money ceases to have any meaning, and one can only wonder what purpose such gross wealth may serve. The top .5 percent of Americans owns 35 percent of all wealth, and the top 10 percent owns 70 percent of all wealth. Although many applaud these differences as proof that capitalism offers opportunity, polls show that the majority feels they are excessive and unjust. One American put it this way:[8]

> Now let me see if I have my values straight . . . An executive is worth over $7 million a year. A baseball player is worth $2 million . . . But a teacher for our children is worth about $18,000 a year . . . It certainly makes one proud to be part of such an intelligent species.

Thus, the differences between capitalism and socialism are largely due to cultural preferences, rather than a question of which system is superior. The superpowers have somehow arrived at bipolar solutions to the common problems of industrialization, with opposing strengths and weaknesses, thereby unwittingly creating a symmetrical, symbiotic relationship between the two dominant ideologies. Many nations are committed to socialism because of the flaws they see in capitalism, and, conversely, capitalism is attractive to many others because of the problems in socialism.

Because the two superpowers serve as archetypes of capitalism and socialism, this comparison illustrates the underlying forces that create divergence in political economies. Cultural differences among nations seem to divide such that roughly half of the world gravitates toward values favoring economic security, public welfare, and social equity, while the other half favors economic freedom, productivity, and innovation. The resulting bipolar division in this rich cultural ecology forms a "symmetric structure" of the present industrial order, a sort of dynamic tension that gives the world balance as a system in its own right—like the two poles of a magnet. In fact, from this larger systems view the bipolarity of the globe has been functional. The mutual antagonism of the superpowers served to drive both nations to develop their technological skills quickly, to draw together into cohesive societies united against an external enemy, and other such purposes.

Although this seems to contradict the tendency toward convergence, the situation is more subtle since nations tend to favor either the left or right as they converge. As Figure 1 shows, those

holding social values develop along a path in which the Old Socialism yields to a New Socialism, while those favoring enterprise will move from the Old Capitalism to a New Capitalism.

Analysis and Forecast

Naturally, the trends described here are speculative in many respects, they are only supported by selected examples, and there is no assurance that they will continue. The following analysis evaluates the significance of these trends and offers a forecast of where the world seems likely to be heading over the next decade or so.

The main conclusion of this paper is that a proliferation of economic experiments seem to be producing a New Capitalism and a New Socialism that may in time converge. All nations have distinctive cultural differences, so it is not that the *USA* and the *USSR* are converging; rather, it is that the ideological *systems* of *capitalism* and *socialism* seem to be moving along a common path leading toward some new combination of enterprise and democracy.

As noted, both sets of nations are infusing their economies with market principles. The US, England, and other Western nations are deregulating industries, privatizing government functions, and breaking up corporate bureaucracies to unleash the creativity of enterprise that has often been a distant ideal in capitalism. China and the Soviet bloc are starting to do the same to overcome the bureaucratic inefficiencies that have plagued their economies, albeit without relinquishing some form of state control. Thus, both systems seem to be moving toward some roughly similar type of free enterprise to avoid the drawbacks of regulated, oligopolistic capitalism on one hand and centrally planned socialism on the other.

Similar trends are also moving both systems toward democratic forms of governance. Europe, Japan, and more recently the US are all incorporating various forms of "participative management," which fosters the social goals advocated by socialism, although they are doing so using democratic principles rather than the control of the state. Likewise, socialist nations are beginning to create democratic institutions, as in Hungary, Russia, and China. The proportion of the world's population living under democracy reached an all-time high of almost 40% in 1988.

It should be noted, however, that these changes present sensitive political obstacles because they disturb fundamental beliefs in both ideologies, with each system being challenged in opposite directions. While capitalist nations are fearful that social control of the economic system will infringe on entrepreneurial freedom and productive efficiency—socialist states are reluctant to *yield* social control over their economy for fear of releasing destructive market forces of profiteering and individualism.

These "symbolic" issues could be resolved by interpreting the required changes in terms that are palatable for each "mythology." Capitalist nations tend to think of these concepts as a "broader" or "modern" version of "free enterprise" incorporating "democratic" or "human" values that is justified by being more "productive." Socialist nations, on the other hand, may see the same practices as an extension of "socialist principles" that enable "the proletariat" to directly control the "means of production" using "decentralized planning" to create an "advanced" form of "market socialism" that improves the "social welfare." So both ideologies may evolve toward a similar set of operational policies, although this common system would probably continue to be viewed differently through the lens of each culture.

However, it would be misleading to believe that some "optimum" system may become universal because the opposite tendency toward divergence can also be seen in the above examples. The world is growing far too complex for any monolithic approach, so it is more likely that diverse forms of political economy should flourish during the next few decades to suit the unique cultural backgrounds of various nations. The center of this spectrum may be popular in Scandinavian states, West Germany, Yugoslavia, France, Japan, Greece and other moderate nations with mixed economies. Countries like the USA, England, Canada, Taiwan, South Korea, and the South American states that prefer laissez-faire systems should tend toward the capitalist end, while China, Hungary, Poland, the USSR and other nations favoring collectivist regimes will probably lean toward the socialist end. Thus, it seems that the coming world order should be characterized by wide diversity, but—rather than being polarized between the opposite extremes of the Old Capitalism and the Old Socialism—this diversity should be viewed as variations of the same universal principles of political economy: democracy and free enterprise.

Although individual nations should develop a single variation that suits their unique culture, the role of multinational corporations (MNCs), seems destined to be more complex. They face the challenge of developing sophisticated networks of economic and technical systems to form the infrastructure of a global economy, thereby becoming the central institutions uniting this enormous diversity. So MNCs will have to use a wide range of institutional styles to accommodate different cultures. They will have to endure some state control in more socialist countries, form cooperative alliances in mixed economies, and enjoy greater freedom in capitalist nations.

Of course, it may be that the historic challenge of redefining the two pivotal systems of capitalism and socialism is so great that it may fail. Attempts to change the economic system in the USSR have thus far largely produced chaos, and a leading Soviet

economist predicted that the current reforms will not yield tangible results until 1995. In 1988 *Pravda* announced that state enterprises are flatly refusing to fulfill their production targets but they are not yet able to work effectively with clients as in a market. The new demand for holding all enterprises accountable for performance has also resulted in identifying 50 major manufacturers that are failing and should be declared bankrupt. And it has now been discovered that the state is running a deficit of approximately $163 billion per year, roughly the same size as the US budget deficit. In Yugoslavia, 700 strikes broke out during 1986 involving 60,000 workers, and the number is rising rapidly. China has experienced a burst of inflation, 60,000 workers have been fired, and it is estimated that another 1-2 million may soon lose their jobs.

The capitalist world is more advanced since it has well-developed markets, but the "Great Crash of 87" may be an ominous signal that the USA has serious problems as well. The "twin deficits" show no signs of abating; per capita income, productivity, and capital investment remain stagnant; raiders hold major corporations hostage to the threat of a hostile takeover; and Big Business is paralyzed with the same debilitating bureaucracy once condemned in Big Government. John Akers, the CEO of IBM, one of the most successful corporations in the world, acknowledged recently that the firm is strangling in its own bureaucracy. Thus, the Crash of 87 may mark a loss of faith in that old "magic of the market" that underlies America's tight ideological grip on laissez-faire capitalism. The idea that a brutal struggle among a dominant elite of predatory, authoritarian business people would somehow be sublimated into healthy progress can now be seen as an outmoded myth out of touch with the realities of a more complex global economy. Unless Americans face this issue squarely, the locus of power will continue to shift toward rising Pacific nations like Japan that are leading the way to a new form of capitalism based not only on competition but cooperation as well.

These are enormous obstacles to change that may not be resolved, so it is useful to envision three alternative scenarios that could develop over the next few years. The first could be called the "Global Decline" scenario in which resistance among critical political centers in the USA and the USSR prevents altering their present systems, leading to continued economic and political stagnation. A "Global War" scenario is also possible if this deadlock leads to renewed antagonism between the ideologies of capitalism and socialism, eventually erupting into some sort of violent conflict. The most optimistic scenario, "Global Order," could result if progressive leaders in both superpowers can recognize the limitations of their own systems and strive to remedy them, as noted above, thereby creating a coherent system of global economy based on common principles.

It is impossible to predict which of these alternatives may actually occur, of course, especially over the short-term of about five years when almost anything is possible. It may turn out, for instance, that the intense political pressures surrounding Gorbachev are too great for even his charismatic leadership. A Soviet colleague confided to me that he does not want to even think about what may happen if Gorbachev falls from power. The forces now driving an historic shift to a new era based on information technology, however, are so profound that I am more deeply impressed by the almost inexorable logic they compel over the long-term of 10-20 years.

An unprecedented global economy is evolving among a diverse mix of nations, all of which are modernizing rapidly to create roughly a ten-fold increase in economic production and consumption as the planet's population grows to 10-12 billion people living at an industrial level, thereby inexorably posing unimagined new problems of resource scarcity, economic development, manufacturing sophistication, competition for world markets, and ecological decay that will require some far different type of global order. And as the unusual power of information technology spreads to form a "central nervous system" for the planet, this historic challenge seems to be slowly but unavoidably forcing the world toward a new era based on the two central imperatives of a knowledge-based economy noted earlier.

Such massive levels of complexity can only be handled with economic systems that permit innovation, flexibility, and local control, moving the world relentlessly toward decentralized market structures—free enterprise.

Yet there is an equal need for collaborative institutions that integrate communities, enterprises, nations, and the entire globe into a loosely organized whole, thereby also driving the world toward various types of legitimate, cooperative decision-making—democracy.

These two imperatives of a new era, therefore, should eventually make some combination of democracy and free enterprise the central focus of a diverse global order—not because of good intentions, altruism, or even sound planning—but because a more productive new blend of cooperation and competition is essential to survive under these difficult new conditions and so it is rapidly becoming one of the most powerful new forces in the world today. Nations around the world are moving in this direction for the same reason all life changes: evolution forces us to make adaptations that are functional. The evidence summarized here shows that capitalism and socialism may offer special advantages, but they also suffer severe disadvantages because of structural limits in both ideologies: economic freedom is creative but socially disruptive while government controls are orderly but stifling.

The key solution that now seems to be emerging to this dilemma focuses on redefining the very nature of the enterprise so as to directly incorporate social controls at the grassroots. The result would produce a different form of economy that inherently serves the public welfare while simultaneously permitting entrepreneurial freedom—Democratic Free Enterprise. Because this model unifies both ends of the political spectrum, it could prove to be an especially powerful combination of both economic and social values.

Creating this more sophisticated form of political economy is still largely uncharted territory, but progress seems to be moving in this direction. As the examples described above and many others show,[9] progressive corporations and governments in America, Europe, and Japan are developing economic prototypes combining various forms of democracy and free enterprise: worker participation, client-driven marketing, democratic governance, entrepreneurial organizational structures, deregulated industries, privatization of government functions, business-government partnerships, and other innovations. In fact, if a "Developmental Slice" is taken through Exhibit 1, running from the most primitive model—Dictatorial Socialism—to the most advanced—Democratic Free Enterprise—the resulting dispersion explains why some nations outperform others economically. Mixed economies that are developing such innovations at the "Frontier of Progress" tend to perform best while both planned and laissez-faire economies usually perform worse because they lag behind. It is no coincidence that the highest overall living standards in the world are generally found in about a half-dozen nations which have carefully cultivated mixed economic systems for decades: the Scandinavian states, West Germany, Switzerland, and Japan. (Kuttner, 1984)

A major challenge posed by the revolutionary nature of the information age, it seems to me, is to synthesize the ideologies of the Old Capitalism and the Old Socialism into a common conceptual framework upon which to construct a unified global order. The two major systems of political economy that dominate the world may never be the same, but they could then be *compatible*. Vadim Medvedev, an historian and the chief theoretician of the Soviet Union, recently acknowledged that the two systems "will inevitably intersect."

We should caution, however, that this union of a New Capitalism and a New Socialism will not be a panacea for all the world's many ills: the North-South conflict between developed and developing nations, the Third World debt crisis, stifling economic protectionism, wildly accelerating money flows and fluctuating exchange rates, and continuing damage to the fragile global ecosystem we all depend on for life itself. It should, however, allow the world to direct its undivided attention to these problems more effectively by finally resolving the central conflict over capitalism and socialism

that has plagued almost the entire century of the industrial age.

This conflict has been such a central issue because it embodies not only a clash between philosophical ideologies and systems of political economy, it also marks major differences in the way power is used, cultural values, and even personal conflicts within each individual. All of us struggle with the opposing needs for freedom to grow versus the need for security; the flip side is the fear of striking out alone to realize one's talents versus the struggle to get along with others. This old conflict between capitalism and socialism is, at once, a syndrome of the divisions that polarize the globe and also of the psychological traumas that torture each individual soul, it is the universal dilemma of individuality versus community.

From a deeper perspective, the coming synthesis of capitalism and socialism represents the healing of this ageless dilemma, a union of free enterprise and democracy, of competition and cooperation, individual freedom and collective obligations, of right- and left-wing values—all of which are part of the broader unification of the planet as it grows toward a more mature phase in what I have called the "Life Cycle of Evolution."[10]

Sometime over the next decade or two, about the turn of this century, I estimate that some form of world governance is likely to emerge out of today's turbulent change, opening the way for a truly global community. Naturally, there will remain local pockets of conflict, as in any community, and there always exists the possibility of a serious setback. But the remarkable events of our time seem to indicate that the long evolution of civilization may be rapidly leading toward a climatic turning point.

The struggle of organized societies shows a steady but tortuous trend toward aggregation into ever larger social systems: from cave dwellers, to tribes, to cities, to nations, to superpowers. This unmistakable trajectory now seems headed toward the next logical level of a unified global order. Who would have believed just a few years ago, for instance, that the superpowers would agree on major arms reductions (the Intermediate Nuclear Force Treaty) to begin winding down the cold war? Today, Americans and Soviets seem in a rush to get to know one another and to work together. Recently, a half-dozen major US corporations concluded agreements to form joint ventures with Soviet enterprises, and more are following this lead. Hazel Henderson predicts that the old global "game" of "Mutually Assured Destruction" is now yielding to a new game of "Mutually Assured *Development*."[11]

Thus, the coming union of a New Capitalism and a New Socialism should provide a conceptual and political basis for resolving the antagonism between the superpowers, it should encourage international arrangements for managing a far more complex global economy, and permit major arms reductions by providing common

security in a global community. Even now, global enterprises from major nations like the USA, the USSR, Europe, Japan, and China are starting joint ventures in each other's nations, and this trend should soon cause national economies to intermesh into a single, indivisible system. Before too long, I think we may see the present growth of economic trading blocs like the European Common Market and Pacific Rim Common Market merge into a unified global economy of unrestricted free trade. An explosion of international communications, TV, publications, and travel is rapidly weaving the world's diverse cultures together into a rich tapestry of different people, all working together fairly harmoniously. A common global currency, banking system, and some form of world government should finally put an end to the arbitrary political boundaries that separate all of us.

I realize there is a lot of cynicism about such prospects, and events will undoubtedly work out somewhat differently from today's confident forecasts. But I think we may soon be surprised to see the globe unified into fairly coherent, manageable, cohesive system that works—One World.

Notes

1. See, Paul R. Gregory and Robert C. Stuart. *Comparative Economic Systems*. Boston: Houghton-Mifflin, 1980; Thorkil Kristensen, *Development in Rich and Poor Countries*. New York: Praeger, 1974; and Stephen Jay Kobrin, *Foreign Direct Investment, Industrialization, and Social Change*. University of Michigan, 1975.

2. Clark Kerr, *The Future of Industrial Societies*. Cambridge, MA: Harvard University Press, 1983.

3. William E. Halal, "Political Economy in the Information Age." *Research in Corporate Social Performance and Policy*. Greenwich, CT: JAI Press, 1988.

4. Loren Graham, "The Soviet Union is Missing Out on the Computer Revolution." *The Washington Post*. March 11, 1984.

5. Franz Loeser, "Communism Won't Change Until the Party Machine Goes." *The Washington Post*. August 19, 1984.

6. Michael Kernan, "The Russians are Here." *The Washington Post*. June 13, 1983.

7. Richard Estes, paper presented at the Global Development Conference. College Park, Pennsylvania: University of Pennsylvania. September 15, 1986.

8. Forest Miller, "Letters to the Editor." *The Washington Post*. April 15, 1984.

9. William E. Halal, *The New Capitalism*. New York: Wiley, 1986.

10. William E. Halal, "The Life Cycle of Evolution: A Study in MacroTechnological Forecasting." *Technological Forecasting & Social Change*. Forthcoming.

11. Hazel Henderson, *Mutually Assured Development*. Plowshare Press. Autumn, 1987.